

Message Text

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PAGE 01 TEL AV 03847 110935Z

12

ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

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R 110821Z JUL 74

FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 3084
INFO AMEMBASSY LONDON
AMEMBASSY BONN

UNCLAS TEL AVIV 3847

E O 11652: N/A

TAGS: EFIN, IS

SUBJECT: TAKEOVER OF ISRAEL-BRITISH BANK LTD.

REF: TEL AVIV 3835

1. PRESS REPORTS FURTHER DEVELOPMENTS IN IBB SEIZURE. GOVT HAS DECIDED TO UNDERWRITE HALF OF DEBTS OWED BY IBB TO LOCAL BANKS. THUS BANK HAPOALIM B.M. AND UNITED MIZRAHI BANK LTD. WILL RECOVER HALF OF THEIR LOANS. LATTER BANK REPORTEDLY HAS MOST AT RISK WITH ESTIMATE TOTALING AT LEAST SEVERAL MILLION DOLLARS.

2. IBB REPORTEDLY SENT TELEX JULY 10 TO ALL ITS CORRESPONDENTS ABROAD READING AS FOLLOWS: "BONA FIDE OBLIGATIONS OF IBB TO FOREIGN BANKS, BASED UPON DEPOSITS RECEIVED FROM THEM BY IBB, OF UPON IRREVOCABLE DOCUMENTARY CREDITS OPENED BY IBB, WILL BE HONORED. PAYMENT WILL COMMENCE AT END OF MORATORIUM PERIOD. GOI HAS REPORTEDLY DETERMINED THAT FOREIGN BANKS AND ORDINARY DEPOSITORS (FOREIGN AND LOCAL) WILL BE FULLY PROTECTED. QUESTION OF FOREIGN BUSINESSMEN WHO DO NOT QUALIFY AS "ORDINARY" DEPOSITORS IS APPARENTLY STILL OPEN.

3. PRESS ALSO REPORTS BANK OF ENGLAND REQUESTED BANK OF ISRAEL
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TO GIVE LONDON SUBSIDIARY OF IBB SAME TREATMENT IT IS GIVING TO

ISRAELI BRANCHES. REPORTEDLY BOE TOOK LINE THAT IT IS NORMAL
PARACTICE FOR THOSE WHO TOOK OVER COMPANY TO ASSUME RESPONSIBILITY
FOR SUBSIDIARIES ALSO. BOI IS REPORTEDLY STILL RELUCTANT SINCE
IT IS UNCLEAR WHAT EXTENT OF LONDON BRANCH'S LOSSES ARE. BOI
EXAMINAR OF BANKS (MEIR HETH) HAS BEEN CONDUCTIGN TALKS
IN LONDON.

4. SPECULATION IN PRESS ON EXTENT OF LOSSES THERE
IS CONCERN THAT IT WILL EXCEED IBB'S AHRE CAPITAL AND
RESERVES.
VELIOTES

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NNN

Message Attributes

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